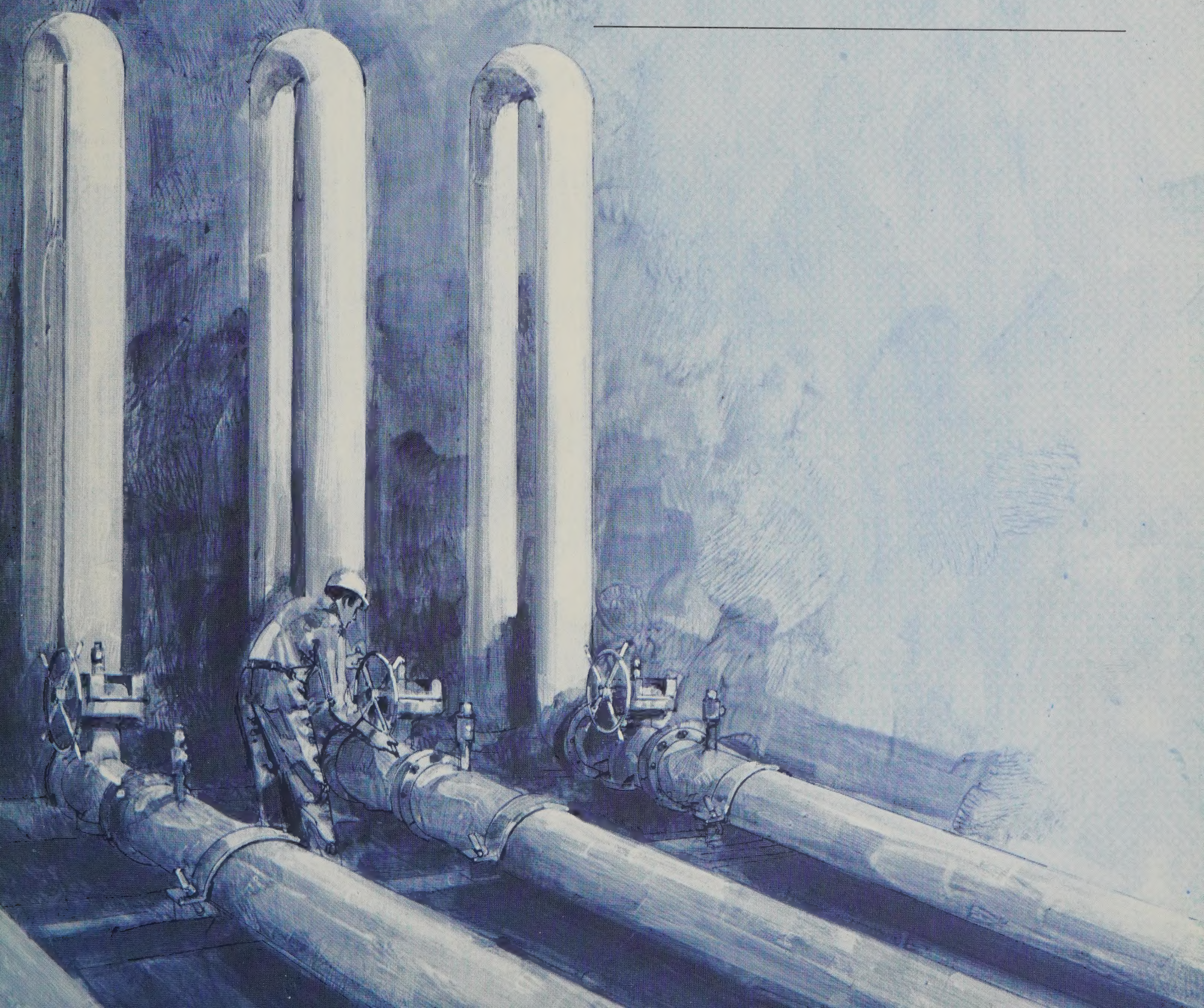
UNION GAS COMPANY OF CANADA, LIMITED

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31

1970



Leading restaurateurs and chefs rely on natural gas in preparing their specialties. Five examples:

1. At Waterloo's Ali Baba steak house, Robert Ziglemann serves up an incomparable chateaubriand.

2. At the Iroquois Hotel in London, Steve Makris takes great pride in preparing both broiled chicken and ribs.

3. Off the field, Hamilton football great John Barrow concentrates on his restaurant, the "Huddle", and on such specialties as rib steaks, lobster tails and "salad by John".

4. At Chatham's Holiday Inn, Charlie Gibson displays barbecued ribs and pineapple chicken, garnished with his own special sauces.

5. At Mario's of Windsor, Kees Roosen is about to slice into a standing prime rib of beef.

UNION GAS COMPANY OF CANADA, LIMITED
and its subsidiaries

CONSOLIDATED COMPARATIVE HIGHLIGHTS

Fiscal years ended March 31	1970	1969	1968
Net profit for the year	$ 11,945,000	$ 10,859,000	$ 10,022,000
Dividends on preference shares	$ 1,061,000	$ 1,062,000	$ 1,066,000
Earnings applicable to common shares	$ 10,884,000	$ 9,797,000	$ 8,956,000
Earnings per common share	72.2¢	65.2¢	59.8¢
Dividends declared on common shares:			
Total	$ 7,835,000	$ 6,912,000	$ 5,099,000
Per share	52.0¢	46.0¢	34.0¢
Natural gas sales *MCF	137,918,000	112,511,000	100,099,000
Gross revenue from gas sales	$110,232,000	$ 94,254,000	$ 87,882,000
Total customers at year end	326,000	315,000	304,000
Average gas use per customer *MCF			
Residential	138.2	130.6	136.6
Commercial	687.7	591.9	573.5
Maximum day send-out *MCF	1,431,000	1,117,000	942,000
Gross Property Account at year end	$264,100,000	$248,609,000	$229,874,000

*MCF means Thousand Cubic Feet

Contents

The Company, which is engaged in purchasing, producing, storing, transmitting and distributing natural gas in numerous municipalities in south-western Ontario, has the following wholly-owned subsidiaries:

United Gas Limited–
Distributing natural gas in the city of Hamilton, the towns of Oakville, Burlington, Dundas, Milton, Georgetown, Stoney Creek and Acton, and areas adjacent to these municipalities.

Union Gas Investments Limited–
A company incorporated to engage in businesses other than the distribution and marketing of natural gas.

BOARD OF DIRECTORS

Sidney M. Blair
Vice-Chairman of the Board, Canadian Bechtel Limited, Toronto.

W. L. Duffield
Chairman, London District Advisory Committee, Union Gas Company of Canada, Limited, London.

C. Malim Harding, O.B.E.
Chairman of the Board, Harding Carpets Limited, Toronto.

F. W. P. Jones
Professor, School of Business Administration, University of Western Ontario, London.

H. B. Keenleyside, C.B.E.
Company Director, Toronto.

J. W. S. McOuat
General Counsel and Secretary, Union Gas Company of Canada, Limited, Chatham.

R. L. O'Brian
Investment Adviser, Buffalo, N.Y.

F. R. Palin, F.C.A.
President and Chief Executive Officer, Union Gas Company of Canada, Limited, Chatham.

David P. Rogers
Chairman of the Board, Union Gas Company of Canada, Limited, Toronto.

Rhys M. Sale, LL.D., D.Sc.
Company Director, Toronto.

W. Dent Smith, LL.D.
Company Director, Toronto.

Ron W. Todgham
President, Chrysler Canada Limited, Windsor.

T. Weir, M.C., E.D., F.C.A.
Company Director, formerly Vice-President and General Manager, Union Gas Company of Canada, Limited, Chatham.

PRINCIPAL OFFICERS

David P. Rogers, *Chairman of the Board*
R. L. O'Brian, *Vice-Chairman of the Board*
F. R. Palin, F.C.A., *President and Chief Executive Officer*
G. M. Douglas, *Vice-President, Marketing*
E. D. Learoyd, P.Eng., *Vice-President, Engineering*
G. H. D. Martin, P.Eng., *Vice-President, Gas Supply*
W. G. Stewart, C.A., *Vice-President, Finance*
J. W. S. McOuat, *General Counsel and Secretary*
R. G. James, B.Comm., *Treasurer*
G. E. Miller, C.A., *Comptroller*

LONDON DISTRICT ADVISORY COMMITTEE

W. L. Duffield, *Chairman*
J. Innes Carling, O.B.E.
P. A. DuMoulin
H. K. Ingram, V.D.
J. H. Stevens

Union Gas spent $17.8 million during fiscal 1970 to extend and improve its pipeline systems and other facilities.

LETTER TO THE SHAREHOLDERS

The fiscal year ended March 31, 1970 was another period of considerable achievement for Union Gas Company of Canada, Limited. Total operating revenues and other income reached new peaks and for the first time earnings applicable to common shares passed the $10,000,000 level to reach $10,884,000. This represents earnings of 72.2¢ per common share, an increase of 7.0¢, or 10.7%, over the earnings per common share in the previous fiscal year.

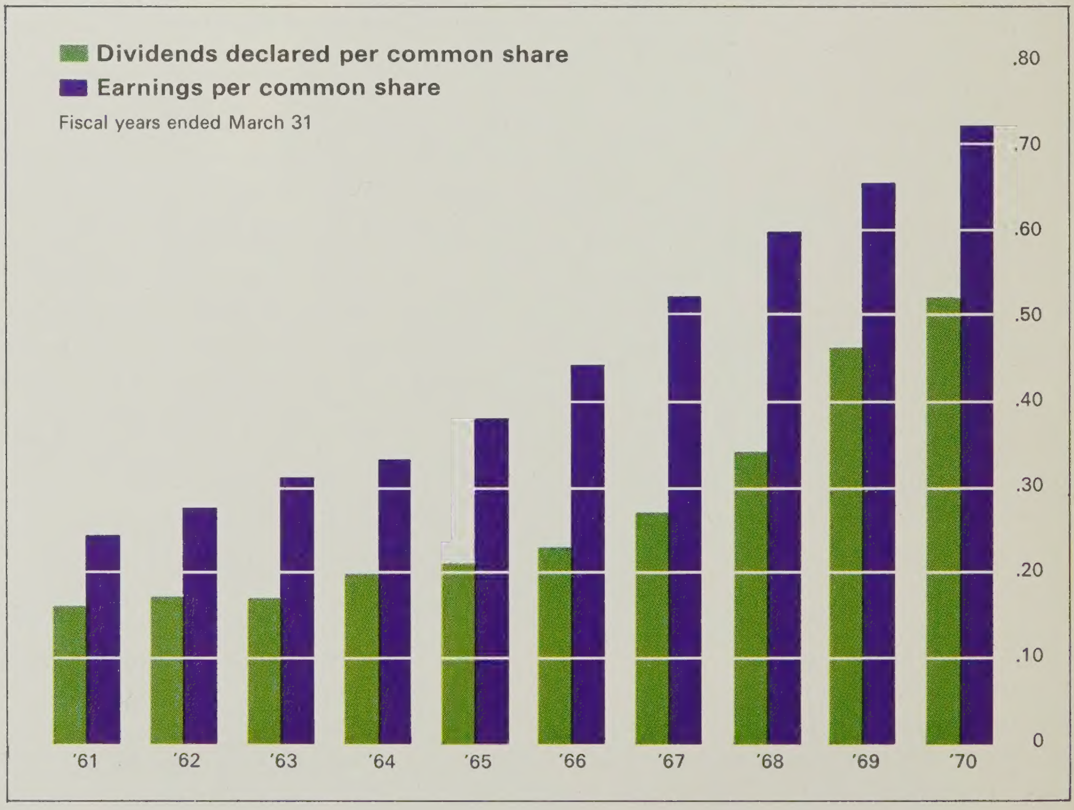
The overall volume of gas sold during fiscal 1970 was 137.9 billion cubic feet, 22.6% more than in the previous fiscal year. Gross revenue from gas sales was up 17.0% to $110,232,000. The improvement in sales and earnings can be attributed in part to the addition of 10,544 customers to the system; in part to the high level of industrial and commercial activity and the conversion by many such customers from the use of other fuels to gas; and in part to the fact that the weather prevailing during the heating seasons of the year was approximately 9% colder than normal.

During fiscal 1970 four quarterly dividends of 13¢ per share were declared on the outstanding common shares. This total of 52¢ per share compares with total dividends of 46¢ per share declared during the 1969 fiscal year. A quarterly dividend of 14½¢ per share was declared by your Directors on May 14, 1970, payable August 1, 1970 to shareholders of record on July 3, 1970. This is equivalent to an annual dividend rate of 58¢ per share, as compared with the annual dividend rate of 52¢ per share in effect since May 1, 1969.

The Company continues to take advantage of all available allowances for depreciation, certain construction overheads, and natural gas exploration costs under the income tax legislation. As a result, income taxes payable currently are $3,745,000 less than the amount provided for in the accounts for the fiscal year ended March 31, 1970. This amount, representing the difference between the charge to consolidated profit for income taxes for the year and the amount required to be paid currently, is included in the balance sheet in the item "Deferred income taxes".

Like most industrial concerns, the Company continues to experience increases in costs in all phases of operations. Interest rates paid on borrowed funds continued to rise, and the combined tax burden imposed on the Company also increased.

During the year, the Federal Govern-



ment engaged in efforts to control a strong inflationary trend. To date, these efforts do not appear to have brought about any appreciable reduction in the costs of doing business. While it is possible that some benefit will in due course result from such policies, they may initially have contributed to the slowing down of activity in some industries, with a consequent adverse effect on gas sales to those industries and on the economy of the affected areas.

Your Directors and Management recognize the continuing necessity to seek to reduce and control expenditures and to institute operating improvements. While the Canadian economy is obviously going through a difficult period of readjustment, your Directors remain confident of the long term continuing growth and development of the nation and in particular of the large and most promising area of Ontario which the Company serves. The natural gas industry, and Union Gas in particular, is in a strong position to share in and benefit from this growth and development.

A matter of particular interest to the natural gas industry is the increasing concern of government and the public with problems of air and water pollution. Natural gas is one of the cleanest of fuels. The number of enquiries currently being received indicates that it can be anticipated that industrial and other fuel users will turn increasingly to natural gas as the most effective and economical solution to some of their pollution problems.

The Federal Government's Proposals for Tax Reform, more generally known as the White Paper, contain provisions seriously detrimental to shareholders of investor-owned gas, electric and steam distribution utilities. Certain sections would eliminate tax credits on dividend income for shareholders of utility companies while providing to shareholders of corporations operating in other industries, and in some instances in competition with these utilities, a new system of tax credits replacing the present 20% dividend tax credit. The result of implementation of the recommendations relating to tax credits for utility shareholders would be to inhibit drastically the ability of utilities to raise capital for expansion and modernization. Union Gas individually and jointly with other utility companies has made strong representations to the government pointing out that it is essential to provide the same system of dividend tax credits to shareholders of investor-owned gas, electric or steam distribution utilities as that provided for all other Canadian corporations.

In the year under review, Union Gas carried out a $17.8 million capital spending program and has recently announced the appropriation of $32 million for Property Account expenditures for fiscal 1971. These programs reflect dramatically the growth of the Company's activities throughout its service area.

An extensive exploration program is being carried on with a view to locating additional gas reserves and underground storage capacity in southwestern Ontario. The Company is also participating with others in natural gas and oil exploration in western Canada.

Union Gas Investments Limited, a wholly-owned subsidiary set up to study diversification possibilities, has explored several projects and enterprises as potential investments. The climate for commitments of this nature has not been propitious in the past year, but the groundwork has been laid for action when conditions are suitable.

Shareholders have been kept informed of developments related to the offers by The Consumers' Gas Company to acquire the common shares of Union Gas. Every effort was made by your Directors and Management to assist the Ontario Energy Board in its lengthy hearings on the subject and to serve fully the interests of shareholders of Union Gas. In a letter dated April 29, 1970, your Directors notified shareholders that counsel for the Company had been instructed to advise the Ontario Energy Board that the Directors were convinced that the application by Consumers' for permission to acquire the shares of Union Gas should be denied. At the time of the preparation of this Annual Report, the recommendation of the Energy Board and the decision of the Provincial Cabinet in this matter were still pending.

We record with sincere regret the passing of Mr. Laurence M. Savage, a member of the Board of Directors since 1965, who died in December, 1969. Mr. Savage served the Company with wisdom, enthusiasm and dedication and he will be greatly missed.

The Annual Meeting of Shareholders will be held at the Head Office of the Company, 50 Keil Drive North, Chatham, Ontario, on Tuesday, June 16, 1970, at 11 o'clock, a.m. (Eastern Daylight Time) and your Directors sincerely hope that you will be able to attend. Should you be unable to be present in person, we request that you complete promptly the proxy form recently mailed to you and return it in the envelope provided in order that the common shares of the Company registered in your name may be voted at the meeting.

Sincerely,

Chairman of the Board

President and
Chief Executive Officer

Chatham, Ontario, May 14, 1970.

IN REVIEW
the fiscal year ended March 31, 1970

OPERATING RESULTS

The results of the operations of Union Gas Company of Canada, Limited and its subsidiaries on a consolidated basis for the fiscal year ended March 31, 1970, as compared with the previous fiscal year, were as follows:

	Fiscal years ended March 31		Increase or decrease (–)
	1970	**1969**	**1970 over 1969**
Operating revenue and other income:			
Gross revenue from gas sales	$110,232,000	$94,254,000	$15,978,000
Other operating and interest income	9,339,000	7,605,000	1,734,000
	119,571,000	101,859,000	17,712,000
Operating expenses and interest:			
Cost of gas sent out	54,992,000	44,593,000	10,399,000
Other operating and maintenance expense	23,884,000	20,739,000	3,145,000
Taxes other than income taxes	3,511,000	2,909,000	602,000
Depreciation	5,091,000	5,300,000	(–)209,000
Interest on bonds, debentures and bank loans and other funded debt charges	7,821,000	6,602,000	1,219,000
	95,299,000	80,143,000	15,156,000
Profit before income taxes	24,272,000	21,716,000	2,556,000
Income taxes	12,327,000	10,857,000	1,470,000
Consolidated net profit for the year	11,945,000	10,859,000	1,086,000
Dividends on preference shares	1,061,000	1,062,000	(–)1,000
Earnings applicable to common shares	$ 10,884,000	$ 9,797,000	$ 1,087,000
Earnings per common share	72.2¢	65.2¢	7.0¢
Common share dividends declared:			
Total amount	$ 7,835,000	$ 6,912,000	$ 923,000
Per share	52.0¢	46.0¢	6.0¢

Natural gas torches cut steel plate in preparation for manufacture of construction machinery at Woodstock.

REVIEW
Continued

GAS SALES

An important milestone was reached during the fiscal year ended March 31, 1970 when gross revenue from gas sales exceeded $100 million for the first time in the Company's history, reaching a total of $110.2 million. This was an increase of $16.0 million, or 17.0%, over the previous year's gas sales revenue.

The volume of gas sales was 137.9 billion cubic feet, an increase of 25.4 billion cubic feet, or 22.6%, over that for the 1969 fiscal year. The colder than normal weather, the larger number of customers and increased industrial use all contributed to the greater volume of sales.

Customers served by the Company at March 31, 1970, totalled 325,877, an increase of 10,544 during the year.

Industrial sales again showed a greater increase than the other categories, rising to a total of 73.7 billion cubic feet, 31.7% higher than the previous year. New sales to major industries resulting from concern for the air pollution problem, increasing costs of other forms of energy and enlargement of customer facilities, were among the reasons for the increase, although sales to some industries did not reach anticipated levels due to strikes and tight money conditions.

Sales volume to commercial customers was 21.7 billion cubic feet, 21.8% more than last year. Contributing to the substantial increase in sales to this class of customer was a growing market for the use of gas in hospitals, universities and apartment buildings, as well as in other enterprises where cleanliness, economy and flexibility are paramount factors. The increase also reflects greater penetration of the commercial heating, cooling, water heating, pool heating and food processing markets as well as improved sales for such agricultural purposes as grain drying and greenhouses.

Sales to residential customers in the 1970 fiscal year were 39.3 billion cubic feet, 9.4% more than for the prior year. These sales, of course, are greatly influenced by weather conditions and during the heating seasons of the year under review temperatures averaged 7.3% colder than last year and 9.4% colder than normal. Average use per residential customer showed an increase of 7.6 MCF over the prior year. Approximately 84% of the residential customers now use gas for space heating purposes, including some 10,000 space heating customers added during the year.

Sales volume and revenue for the fiscal year ended March 31, 1970, by class of customer and percentage change from the previous year, are shown below:

GAS SALES VOLUME AND GROSS REVENUE

	Volume in thousands of cubic feet			Revenue in dollars		
Class of customer:	Year to March 31, 1970	% of total	% over previous year	Year to March 31, 1970	% of total	% over previous year
Residential	39,274,000	28.5	9.4	$ 44,690,000	40.5	9.0
Commercial	21,748,000	15.8	21.8	20,934,000	19.0	19.3
Industrial	73,667,000	53.4	31.7	42,681,000	38.7	25.5
Other gas distributors for re-sale	3,229,000	2.3	15.4	1,927,000	1.8	14.8
	137,918,000	100.0	22.6	$110,232,000	100.0	17.0

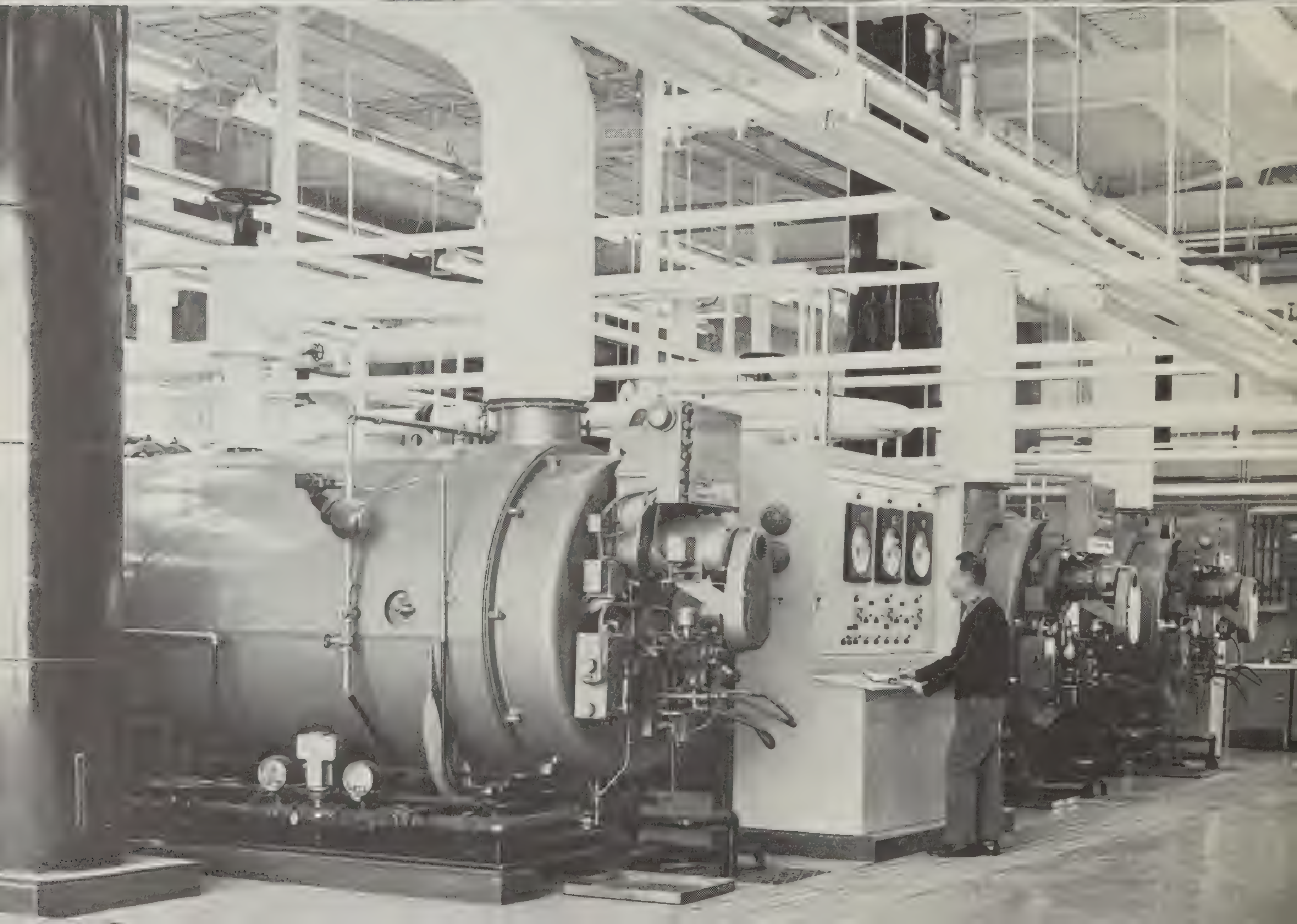
MARKET DEVELOPMENT

The growing concern for a cleaner environment through minimizing pollution and the many ways in which natural gas can be utilized to this end are significant factors in the industrial gas market. Your Company actively continues to promote the advantages of natural gas in this regard.

Company representatives advise present and potential customers in the selection and use of gas equipment for their particular requirements. Many types of demonstrations of the latest gas appliances are presented throughout the Company's service area by Home Service and Dealer Services

Natural gas pool heaters s-t-r-e-t-c-h the swimming season for many a southwestern Ontario family.

This modern office, opened by Union Gas at London within the past year, provides an effective setting for the display of natural gas appliances.



REVIEW
Continued

representatives. Numerous technical and promotional assistance programs are provided for appliance dealers, plumbing and heating contractors, builders, developers, architects and consulting engineers.

Newspaper, television and radio advertising is used extensively to encourage the use of natural gas in the home, commerce and industry. During the year seven international awards were received by the Company in recognition of the quality of its promotional programs pertaining to school demonstrations, outdoor and newspaper advertising, merchandising displays and vehicle signs.

With air conditioning becoming more popular, gas sales for this purpose are of increasing importance to the Company. Co-operative dealer sales programs and installer training programs are assisting in the development of this segment of the market.

The Company contributes to the research and development projects conducted by gas industry associaations. It also has specialized staff engaged in research studies of the uses of natural gas and assisting in the design and testing of gas appliances.

OTHER OPERATING AND INTEREST INCOME

Other operating and interest income increased by $1,734,000 to $9,339,000 for the 1970 fiscal year. Revenue from the transportation and storage of gas for other utilities rose substantially due to larger volumes of gas handled. Increased interest income from merchandise time payment contracts and mortgage loans, and greater income from water heater rentals, reflected continued growth in these financing activities.

EXPENSES

Cost of gas sent out

This cost rose to $54,992,000, an increase of $10,399,000, or 23.3%, over the 1969 fiscal year, mainly due to the larger volume of gas sent out to meet increased demand. The average cost per MCF of gas purchased during the year was slightly higher than for the prior year.

Other operating and maintenance expenses

The total of $23,884,000 for operating and maintenance costs, an increase of $3,145,000 over the prior year, reflected the rising cost of labour and material as well as costs resulting from expanded operations. Of the increase in such costs, approximately 60% represented higher wages, salaries and fringe benefits. Continuing attention is given to operating and administrative procedures in order to limit and control cost increases.

Taxes other than income taxes

Taxes other than on income for the year ended March 31, 1970 totalled $3,511,000, an increase of $602,000 or 20.7%, over the previous year. This increase was mainly attributable to the revision of assessment rates on transmission pipelines and substantial increases in mill rates, together with municipal taxes on additions to Property Account.

Depreciation

The provision for depreciation of $5,091,000 was $209,000 lower than for the 1969 fiscal year. During the year ended March 31, 1969 the Company's consultants commenced a general review of depreciation practices and lower depreciation rates on transmission and distribution pipelines as recommended by the consultants were adopted for that year. The provision for depreciation for the 1970 fiscal year was based on the recommendations of the consultants following completion of their comprehensive depreciation studies for all classes of depreciable plant.

Interest expense

Increased borrowings combined with sharply higher interest rates resulted in interest expense increasing by $1,219,000, or 18.5%, to a total of $7,821,000 for the 1970 fiscal year.

Income taxes

The provision of $12,327,000 for Federal and Provincial income taxes in respect of the 1970 fiscal year was $1,470,000 more than for the previous year.

To be completed in the fall of 1970, this $1.5 million Union Gas building will contain the operating headquarters for Windsor and district, as well as the administrative offices for Western region.

This trio of efficient natural gas boilers provides heat and hot water for the Federal Government's new agricultural research laboratory at Harrow.


GAS
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PROPERTY ACCOUNT

Total Property Account at March 31, 1970 was $264,100,000, an increase of $15,491,000 over 1969. The Company throughout the year restricted or postponed expenditures wherever possible in view of the high cost of new capital. Additions to properties included pipeline construction to provide increased capacity for gas deliveries to Sarnia and the Woodstock area; construction of facilities to extend service to the communities of Exeter, Lucan, Centralia and Hensall; commencement of the new regional administration and service centre building in Windsor; and necessary additions to and improvements in distribution facilities to keep pace with the growing demand created by the increased number of customers.

Property Account	March 31 1970	March 31 1969
	($000's)	
Production	$ 6,207	$ 5,969
Storage	13,114	12,592
Transmission	82,127	79,620
Distribution	141,133	130,397
General	21,519	20,031
	$264,100	$248,609

CAPITALIZATION

At March 31, 1970 total capitalization was as follows:

	($000's)	% of total
Common shares	$ 31,266	
Accumulated earnings retained for use in the business	41,650	
Contributed surplus	378	
	73,294	37.5
Preference shares	19,496	10.0
	92,790	47.5
Funded debt (exclusive of portion to be retired within 12 months and carried on the balance sheet as a current liability)	102,660	52.5
Total capitalization	$195,450	100.0

EMPLOYEES

At March 31, 1970 there were 2,057 regular employees on the payroll, as compared with 2,054 a year ago.

The Company continued to emphasize the importance of employee development. Many employees used the Company's Educational Aid Program to broaden and update their educational and vocational backgrounds outside of working hours. Training and development programs continued within the Company for management and non-management employees. In addition to the Company programs, some employees attended selected training programs conducted by outside organizations. The instructional video-tape system, introduced a little over a year ago, was expanded and developed during the year and is proving to be a means of providing effective training at reasonable cost.

With a view to meeting the challenge of changing technical and business methods in the growing gas industry the Company continued its recruitment of graduates from universities and other institutions, as well as other experienced and specially trained personnel.

During the year initial steps were taken leading to the upgrading of the Company's Personnel Data System. The new computerized system will be in operation before the end of 1970 and will contain comprehensive information on all employees, including educational standing, work history and experience (within and outside the Company), details of special qualifications and other pertinent data. The centralization of this type of information is expected to lead to increasingly efficient use of personnel.

Protracted negotiations with two labour unions which involved four collective agreements were concluded and ratification of new contracts was announced on August 1, 1969. The new agreements cover a two-year period to December 31, 1970 and provide for significant increases in wages and fringe benefits.

GAS STORAGE

The Company's underground gas storage facilities provide the advantage of an assured source of supply to meet winter peak requirements. During the summer season when demand is light the Company purchases and retains in storage large volumes of gas in excess of its immediate requirements. These stored volumes are then available for use during the winter on days of heavy demand to augment the volumes of gas available from all other

REVIEW
Continued

sources. Thus the Company is better able to utilize the capacity of its pipeline and other facilities and to purchase gas at lower average cost. Five underground storage pools are currently in operation with a total of approximately 47 billion cubic feet of working storage capacity. Additional gas pools are available for conversion to storage operations when required.

During the 1970 fiscal year injections into storage by the Company totalled 32.8 billion cubic feet, while withdrawals were 45.2 billion cubic feet. At March 31, 1970, 10.7 billion cubic feet of gas were in storage available for sale by the Company.

GAS SUPPLY

In the 1970 fiscal year the total volume of gas purchased and produced by the Company increased to 126.3 billion cubic feet, 6.0 billion cubic feet more than for the prior year. Of the volume received, purchases from the various suppliers amounted to 123.5 billion cubic feet, or 97.8% of the total supply, the balance of 2.8 billion cubic feet being provided from the Company's own production.

The future requirements for gas in the Company's service area are under constant study. The continuing discoveries of new reserves in western Canada and the plans for increased facilities for the transportation of gas to eastern Canada indicate that the Company will be able to contract for adequate supplies to meet the growing needs of its customers in the future.

The Company participated with other major eastern Canadian gas utilities in a recent hearing before the National Energy Board concerning the application on the part of five gas transmission companies to export substantial additional volumes of gas from western Canada to the United States in future years. At that hearing your Company expressed its strong opinion that the long term future requirements of Canadian markets must be fully provided for on reasonable terms when deciding volumes of gas available for export. To date the National Energy Board has not handed down a decision on this matter.

In August 1969 Trans-Canada Pipe Lines Limited filed an application to the National Energy Board "for the establishment of just and reasonable rates". Trans-Canada has stated that interest costs and other uncontrollable cost increases have resulted in the need to obtain relief in the form of a rate increase. As any increase in the cost of gas would have an immediate adverse impact on operating results, plans are being made for full participation by your Company in the impending hearings before the National Energy Board.

GAS PURCHASED AND PRODUCED

	Volumes in millions of cubic feet			
	Year to March 31, 1970	% of total	Year to March 31, 1969	% of total
Source:				
Western Canadian producers	105,380	83.5	93,831	78.0
Ontario producers	7,987	6.3	7,251	6.0
Other	10,145	8.0	15,515	12.9
Total purchased	123,512	97.8	116,597	96.9
Produced from Company wells	2,764	2.2	3,759	3.1
Total gas supply*	126,276	100.0	120,356	100.0

*Excluding gas transmitted and stored for other companies.

GENERAL

On April 1, 1970 the Company issued privately $10,000,000 principal amount of 9⅛% Sinking Fund Debentures at 99.50. Although the debentures mature on April 1, 1990, the holders thereof have the option to have the debentures prepaid at par on April 1, 1975. The proceeds of the issue were used to retire outstanding bank loans.

The Board of Directors has authorized Property Account expenditures for the fiscal year which commenced April 1, 1970 of approximately $32,000,000. Major expenditures are planned to increase capacity for transportation of gas to Company markets and for other utilities. In addition, expansion of the Company's distribution systems will be carried out to serve the growing market, and the Windsor regional administration and service centre building will be completed. The funds required to carry out this program will be provided initially from working capital and bank borrowings.

During the year Mr. R. Gordon James, B.Comm., was appointed Treasurer of the Company. Mr. James was previously Assistant Treasurer.

The Board of Directors express appreciation to all employees for their contribution to the Company's success. Their competence, enthusiasm and support have enabled Union Gas to meet the challenges and difficulties of an unusually demanding year and to contribute to the continuous progress of the communities the Company serves.

The search for natural gas in southwestern Ontario...

...dowsers dusters and domes

Natural gas was first discovered in Canada quite by accident—seeping through cracks in surface rock. Once it was realized that gas could be used to perform many useful jobs, however, man set out specifically to find additional sources of supply.

Early efforts to locate gas reservoirs relied mainly on blind luck, and the dowser, with his forked branch or divining rod, was in great demand. It wasn't long, though, before the geologist replaced the dowser, and the hammer, pick and microscope replaced the divining rod. The art had become a science.

Over the years, the original tools of the geologist have been supplemented by more scientific methods of exploration, including such aids as gravity meters, magnetometers and seismic recording equipment.

But, however good the tools, no amount of data can definitely prove the presence of gas at any given point. There is really only one way to be sure. Drill!

The cost of drilling has placed great importance on geological and geophysical exploration. In southwestern Ontario, it costs thousands of dollars to plan for and sink an exploratory well, with no guarantee that any gas will be found. And so: the better the exploration tool or technique, the higher the ratio of producing wells to "dusters", and the lower the cost per cubic foot of gas found.

In 1968, the Union Gas geology department embarked on a major program of seismic surveying, using the very latest in electronic equipment to help pinpoint potential gas-bearing rock formations.

The information gained by using this technique, when studied in conjunction with other "clues", indicates the possible presence of such formations.

One type of formation, the reef, is a dome-shaped layer of porous rock covered by a comparatively thin cap of impervious rock. The reef's presence is indicated by a number of characteristic geological and geophysical features.

To uncover these features, the geologist carefully examines the records of


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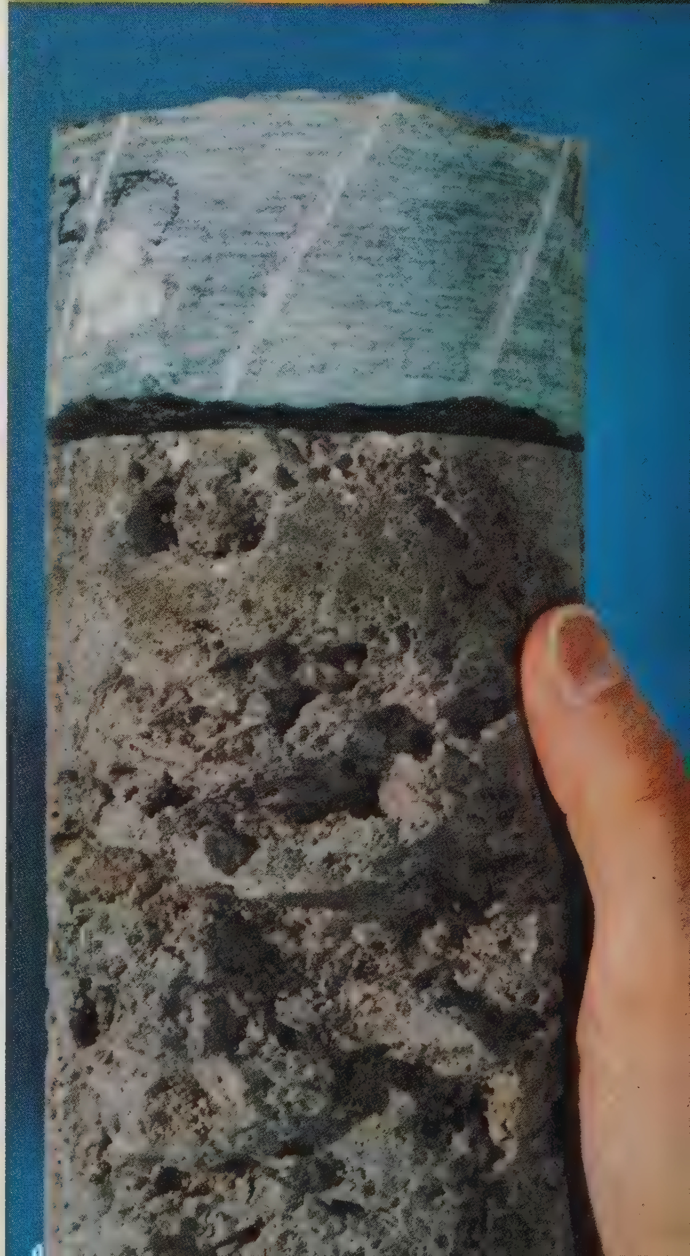

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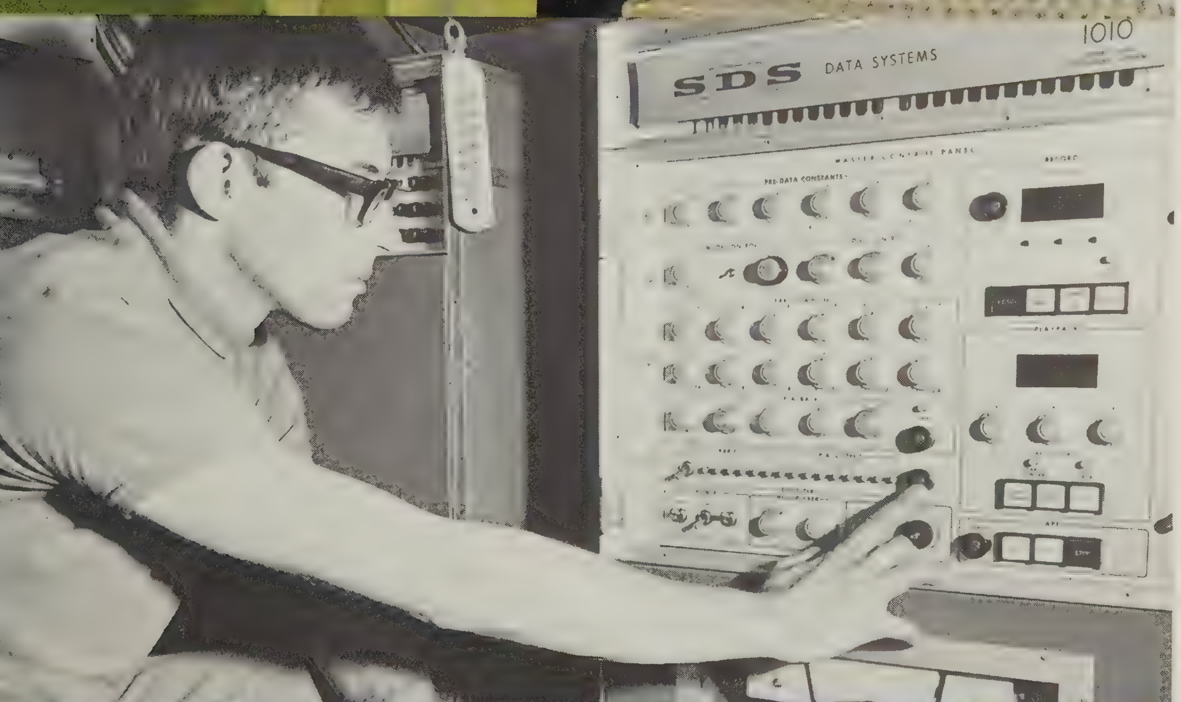

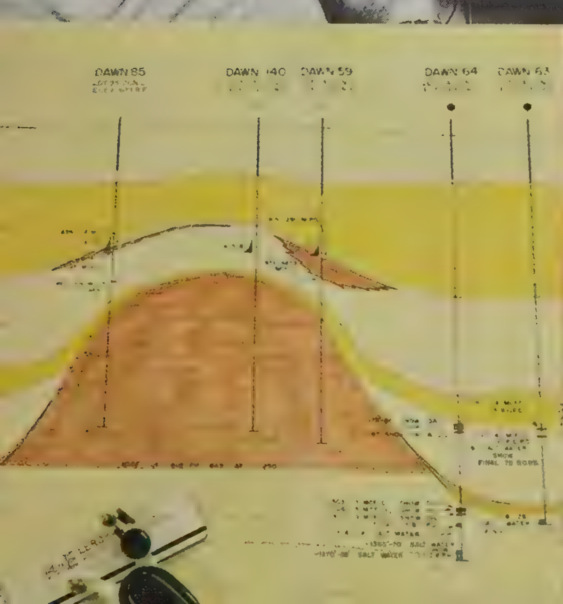

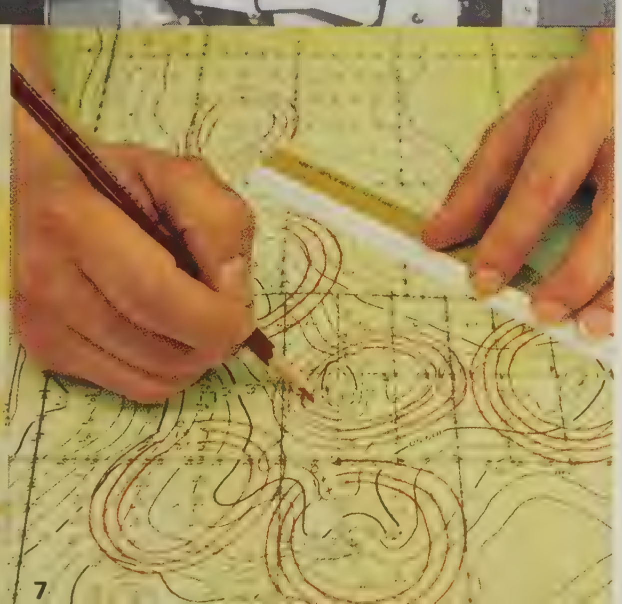

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1. Union Gas geology department is located at Chatham.
2. Chief geologist A. C. Newton examines seismic test results.
3. Sub-surface geologist J. V. Hill checks formation samples.
4. Porous reef rock is overlaid by impervious cap rock.
5. Complex electronic equipment is required for seismic surveys.
6. Vertical cross-section drawing depicts reef or dome.
7. Gravity contour map locates possible gas-bearing structures.

earlier drilling. He may take gravity meter or magnetometer readings of the thickness and relative positions of the sub-surface rock layers. He may also carry out a seismic survey to find out "what it's like down there".

The geologist then plots all significant data on a sub-surface contour map. If enough of the right characteristics are present—send for the drill.

When gas is found in sufficient quantity, it must be taken to market. This can involve heavy expenditures on pipelines, compressor stations and other facilities, depending on the distance between the gas field and the market.

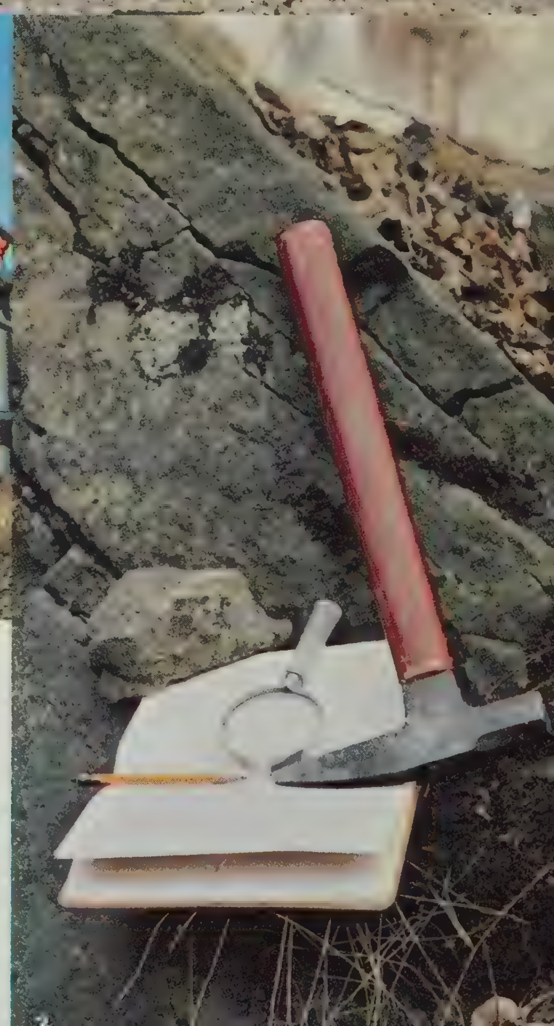
Thus, there is a definite advantage to southwestern Ontario's natural gas, because it is located relatively close to the markets where it is used. In addition, southwestern Ontario gas is usually discovered at relatively shallow depths, and the amount of gas recovered per acre, particularly in Lambton county, is generally high. Both of these factors tend to lower the cost per cubic foot of gas discovered.

Another significant factor that must be considered when a gas reservoir is found is that—depending on its ability to give up its gas easily and quickly, and also depending on its size and location—the formation may be suitable for use as an underground gas storage pool, after most of the original gas has been withdrawn. At present, Union operates five such pools with a total working storage capacity of some 47 billion cubic feet. As markets expand and the need for gas storage grows, additional reservoirs will be developed by the Company.

Since its founding in 1911, Union Gas has been a leader in the search for natural gas in southwestern Ontario—developing its own methods and always ready to adopt any new technique which might be reasonably expected to make gas exploration more efficient and effective.

Union Gas believes that only by such a progressive approach can the true potential of southwestern Ontario as a gas-producing and storage area be fully realized.


1



1. Once discovered, natural gas is routed to market through complex valving systems.

2. Pressure in storage wells is checked periodically.

3. Early geologists worked with little more than a pick, glass and fieldbook.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

For the year ended March 31, 1970
(*with comparative figures for the 1969 year*)
Union Gas Company of Canada, Limited and its subsidiaries

CONSOLIDATED STATEMENT OF INCOME

	1970	1969
Operating revenue and other income:		
Gross revenue from gas sales	$110,232,000	$ 94,254,000
Other operating income	8,849,000	7,318,000
Investment income	490,000	287,000
	119,571,000	101,859,000
Operating expenses and interest:		
Cost of gas sent out	54,992,000	44,593,000
Other operating and maintenance costs exclusive of items shown separately below	23,884,000	20,739,000
Taxes other than income taxes	3,511,000	2,909,000
Depreciation (note 3)	5,091,000	5,300,000
Interest on funded and other debt including discount and expenses amortized (less interest charged to construction—$89,000 in 1970; $199,000 in 1969)	7,821,000	6,602,000
	95,299,000	80,143,000
Profit before income taxes	24,272,000	21,716,000
Income taxes (note 4)	12,327,000	10,857,000
Consolidated net profit for the year (note 3)	$ 11,945,000	$ 10,859,000
Dividends on preference shares	1,061,000	1,062,000
Earnings applicable to common shares	$ 10,884,000	$ 9,797,000
Earnings per common share	72.2¢	65.2¢

CONSOLIDATED STATEMENT OF ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS

	1970	1969
Balance at beginning of year	$ 38,601,000	$ 35,820,000
Add consolidated net profit for the year	11,945,000	10,859,000
	50,546,000	46,679,000
Deduct:		
Dividends declared (rate per annum)—		
Preference shares:		
Series A—$2.75 per share	448,000	449,000
Series B—$3.00 per share	270,000	270,000
Series C—$2.50 per share	343,000	343,000
	1,061,000	1,062,000
Common shares:		
$.52 per share in 1970 and $.46 in 1969	7,835,000	6,912,000
	8,896,000	7,974,000
Costs incidental to the liquidation of United Fuel Investments, Limited	—	104,000
	8,896,000	8,078,000
Balance at end of year	$ 41,650,000	$ 38,601,000

CONSOLIDATED BALANCE SHEET

March 31, 1970

(*with comparative figures as at March 31, 1969*)

Union Gas Company of Canada, Limited (Incorporated under the laws of Ontario)
and its subsidiaries

ASSETS	1970	1969
Properties:		
Distribution systems, transmission lines, gas wells and gathering lines, gas storage facilities, base pressure gas, land and buildings, etc.—at cost	$264,100,000	$248,609,000
Less accumulated depreciation	51,124,000	48,022,000
	212,976,000	200,587,000
Current assets:		
Accounts receivable	23,466,000	19,624,000
Inventories of merchandise, stores and spare equipment, valued at the lower of cost or replacement cost	3,789,000	3,182,000
Prepayments	1,049,000	634,000
Special refundable tax	—	296,000
Gas in underground storage, available for current sale—at cost	4,501,000	10,173,000
	32,805,000	33,909,000
Deferred and other assets:		
Mortgages receivable	7,004,000	6,108,000
Unamortized discount and expenses on issues of funded debt	1,029,000	1,161,000
Other deferred charges	86,000	42,000
	8,119,000	7,311,000
	$253,900,000	$241,807,000

On behalf of the Board:

DAVID P. ROGERS, Director

F. R. PALIN, Director

LIABILITIES	1970	1969
Shareholders' equity:		
Capital stock (note 1)—		
Preference shares with a par value of $50 each:		
Authorized—389,915 cumulative redeemable shares		
Issued —162,715 5½% Series A	$ 8,136,000	$ 8,160,000
— 90,000 6% Series B	4,500,000	4,500,000
—137,200 5% Series C	6,860,000	6,860,000
Common shares without par value:		
Authorized—22,000,000 shares		
Issued —15,103,955 shares	31,266,000	30,471,000
	50,762,000	49,991,000
Contributed surplus	378,000	378,000
Accumulated earnings retained for use in the business (note 5)	41,650,000	38,601,000
	92,790,000	88,970,000
Funded debt (note 2)	102,660,000	107,138,000
Deferred income taxes (note 4)	27,278,000	23,533,000
Current liabilities:		
Bank indebtedness	9,804,000	1,582,000
Accounts payable and accrued charges	11,149,000	10,827,000
Dividend payable	1,964,000	1,953,000
Income and other taxes payable	2,471,000	2,092,000
Accrued interest on funded debt	1,312,000	1,370,000
Funded debt instalments due within twelve months	4,472,000	4,342,000
	31,172,000	22,166,000
	$253,900,000	$241,807,000

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended March 31, 1970

(*with comparative figures for the 1969 year*)

Union Gas Company of Canada, Limited and its subsidiaries

	1970	1969
Funds provided:		
Consolidated net profit for the year	$11,945,000	$10,859,000
Add amounts deducted in arriving at net profit, which did not involve an outlay of funds—		
Depreciation and amortization	5,584,000	5,762,000
Deferred income taxes (note 4)	3,745,000	3,240,000
Total funds provided from operations	21,274,000	19,861,000
Funded debt issued	—	20,000,000
Common shares issued (note 1 (b))	795,000	49,000
Income taxes payable transferred to deferred income taxes	—	1,640,000
Special refundable tax	—	619,000
	22,069,000	42,169,000
Funds applied:		
Net expenditure on properties	17,836,000	20,726,000
Retirement of funded debt	4,478,000	4,428,000
Dividends declared—common shares	7,835,000	6,912,000
—preference shares	1,061,000	1,062,000
Net advances (repayments) on mortgages receivable	896,000	(22,000)
Funded debt issue costs	—	354,000
Purchase of preference shares for cancellation	24,000	—
Miscellaneous (net)	49,000	124,000
	32,179,000	33,584,000
Increase (decrease) in working capital	(10,110,000)	8,585,000
Working capital at beginning of year	11,743,000	3,158,000
Working capital at end of year	$ 1,633,000	$11,743,000
Represented by:		
Current assets	$32,805,000	$33,909,000
Current liabilities	31,172,000	22,166,000
Working capital at end of year	$ 1,633,000	$11,743,000

1. Capital stock

(a) The preference shares are redeemable as follows:

Series A—at $51.50 per share up to March 30, 1972 and thereafter at redemption prices reducing in progressive steps to $50.50 per share after March 30, 1976.

Series B—at $55.00 per share at any time.

Series C—at $52.00 per share up to March 30, 1973 and thereafter at redemption prices reducing in progressive steps to $50.50 per share after March 30, 1981.

Under the conditions attaching to the Series A and Series C preference shares, the Company is committed to purchase shares for cancellation if their market prices fall to par or below as follows:

Series A—in amounts up to $170,000 annually.

Series C—in amounts up to $140,000 annually.

As required by the Supplementary Letters Patent, a special appropriation of retained earnings is shown on the books of the Company to reflect this commitment. During the year ended March 31, 1970, in compliance with the foregoing conditions, 485 Series A shares with a par value of $24,250 were purchased and cancelled.

(b) During the year, options previously granted under the Company's stock option plan for certain executive and other key employees, were exercised on 76,375 common shares at prices of $10⅓ and $11⅞. At March 31, 1970, options granted on 7,750 shares remain outstanding exercisable at $10⅓ and expiring in November, 1975; 23,250 shares remain reserved for the plan but not allocated.

2. Funded debt

Details of this debt as at March 31, 1970 and 1969 are as follows:

	Total outstanding	Current liability	Long term portion 1970	Long term portion 1969
Union Gas Company of Canada, Limited:				
First mortgage and collateral trust bonds—				
5% sinking fund bonds, Series B, due December 1, 1977	$ 7,638,000	$ 753,000	$ 6,885,000	$ 7,638,000
5¼% sinking fund bonds, Series C, due January 15, 1978	12,000,000	1,000,000	11,000,000	12,000,000
	19,638,000	1,753,000	17,885,000	19,638,000
Debentures—				
5¾% sinking fund debentures, 1957 series, due January 15, 1975	4,500,000	400,000	4,100,000	4,500,000
5½% sinking fund debentures, 1958 series, due December 1, 1977	6,250,000	350,000	5,900,000	6,250,000
5¾% sinking fund debentures, 1961 series, due July 15, 1981	11,150,000	525,000	10,625,000	11,150,000
5½% serial debentures, 1963 series, due February 15, 1971	400,000	400,000	—	400,000
5¾% sinking fund debentures, 1963 series, due August 15, 1983	12,000,000	—	12,000,000	12,000,000
5¾% serial debentures, 1965 series, due March 1, 1971-1973	1,200,000	400,000	800,000	1,200,000
5⅞% sinking fund debentures, 1965 series, due September 1, 1985	13,000,000	—	13,000,000	13,000,000
7% sinking fund debentures, 1967 series, due January 5, 1987	14,650,000	350,000	14,300,000	14,650,000
7¾% serial debentures, 1968 series, due August 1, 1971-1976	3,000,000	—	3,000,000	3,000,000
7¾% sinking fund debentures, 1968 series, due August 1, 1988	17,000,000	—	17,000,000	17,000,000
	83,150,000	2,425,000	80,725,000	83,150,000
United Gas Limited:				
First mortgage bonds—				
5¼% sinking fund bonds due October 1, 1977	4,344,000	294,000	4,050,000	4,350,000
Total amounts per balance sheet	$107,132,000	$4,472,000	$102,660,000	$107,138,000

The principal amounts of bonds and debentures required to be retired through sinking funds or serial redemption during the next five fiscal years ending March 31 are as follows: 1971—$4,472,000; 1972—$4,953,000; 1973—$5,178,000; 1974—$5,754,000; 1975—$8,254,000.

As of April 1, 1970, the Company issued and sold $10,000,000 principal amount of 9⅛% sinking fund debentures, 1970 series, due April 1, 1990 but repayable at the holder's option on April 1, 1975.

3. Depreciation

Depreciation is provided on the straight line basis at various rates based on periodic review by consultants of the useful service life of each class of property. During the year ended March 31, 1970, the Company's consultants completed a study of depreciation rates, that had begun in the previous year, with the result that depreciation rates on most classes of property were reduced to reflect current estimates of their useful service life. The effect of such changes initiated during the most recent year was to reduce depreciation expense for the year ended March 31, 1970 by $849,000 and increase consolidated net profit by $413,000.

Estimated useful lives of major property classifications, which are not, overall, in excess of industry averages, are as follows:

Transmission mains	75 years
Distribution mains	70 years
Buildings and service lines	50 years
Storage plant, compressors, meters, and purification, measuring and regulating equipment	30 to 40 years

Total depreciation provided for the year ended March 31, 1970 amounted to $5,451,000 ($5,630,000 in 1969). Of this amount, $5,091,000 was charged directly as an operating expense and the remainder of $360,000 was allocated partly to other expense accounts and partly to property accounts.

4. Deferred income taxes

As a result of claiming allowances for income tax purposes for depreciation, certain construction overheads and natural gas exploration costs in excess of amounts charged in arriving at profit for the year, income taxes payable will be less than the current year's provision by $3,745,000 ($3,240,000 in 1969) and accordingly this amount is included in the balance sheet in the item "Deferred income taxes".

5. Accumulated earnings retained for use in the business

The trust deeds and indentures providing for the issue of the Company's bonds and debentures contain certain restrictions regarding the amount that may be paid as dividends. At March 31, 1970 accumulated earnings retained for use in the business in the amount of $12,911,000 were free from limitation under the most stringent of these restrictions.

6. Directors' and senior officers' remuneration

Direct remuneration of directors and senior officers totalled $335,000 during the year ended March 31, 1970.

7. Capital expenditures and commitments

Capital expenditures of approximately $32,000,000 have been authorized by the directors for the fiscal year ending March 31, 1971.

The Company is committed to advance additional mortgage funds totalling $1,496,000 under its financial assistance plan for land developers and builders and has guaranteed bank loans totalling $889,000.

8. Employee pension plan

The unfunded past service obligation which resulted from revisions of the Company's pension plan as of January 1, 1966 and 1970 is being funded and written off against operations in annual amounts of $284,000 over a period of 15 years to 1985 based on actuarial advice. The estimated unfunded balance at March 31, 1970 was approximately $2,515,000.

AUDITORS' REPORT

To the Shareholders of Union Gas Company of Canada, Limited:

We have examined the consolidated balance sheet of Union Gas Company of Canada, Limited and its subsidiaries as at March 31, 1970 and the consolidated statements of income, accumulated earnings retained for use in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants

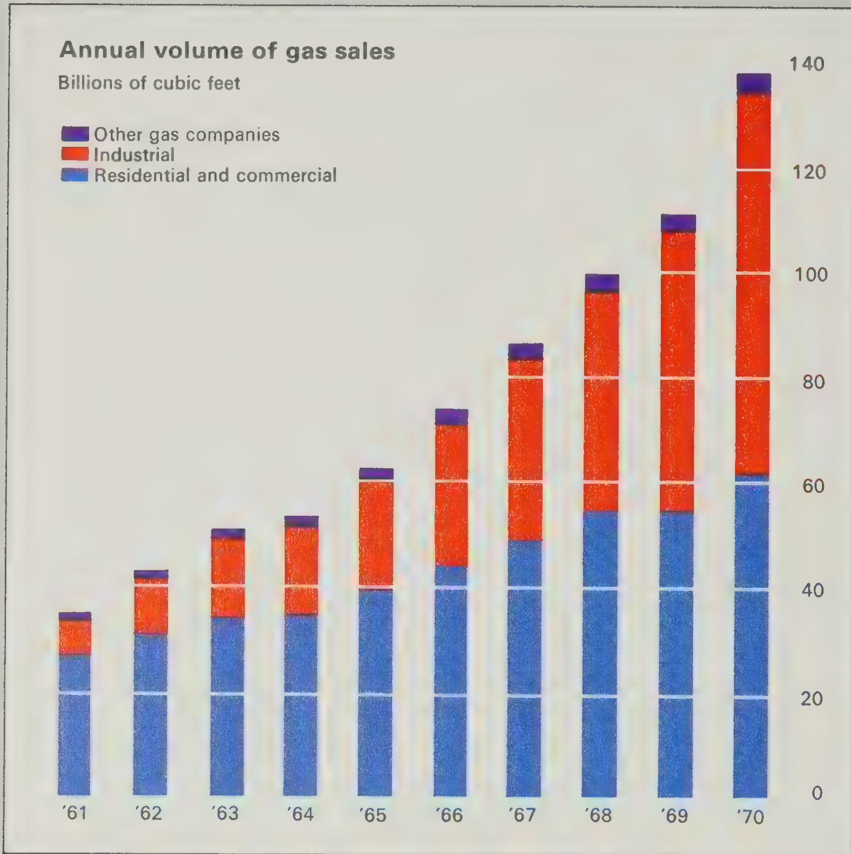
Toronto, Canada, May 14, 1970.

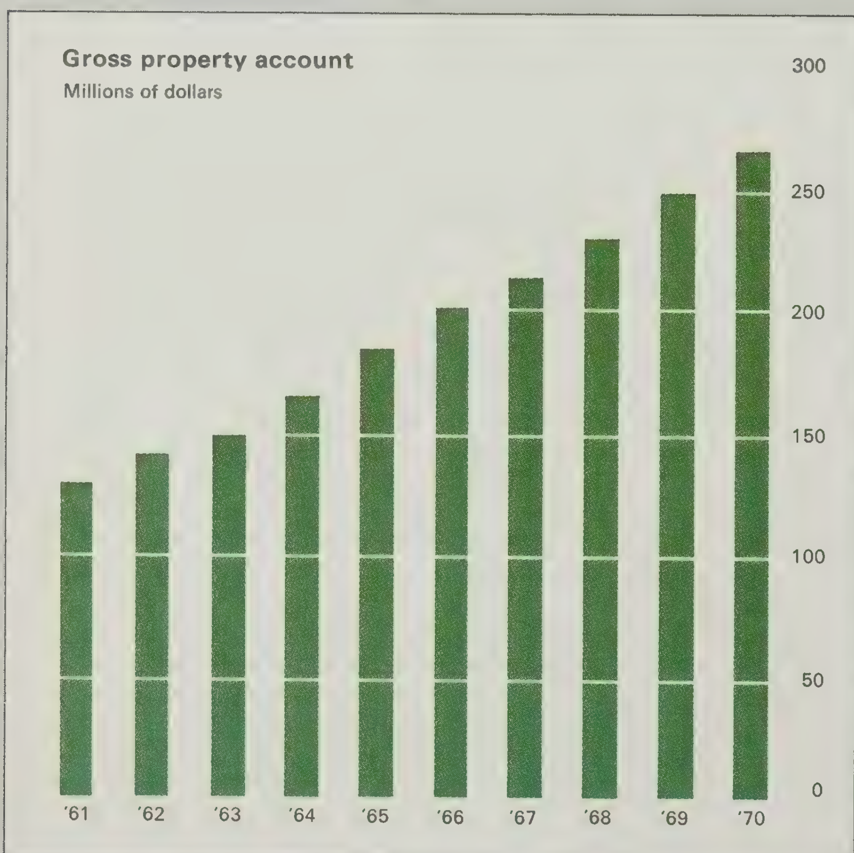
Symbolic torch-lighting inaugurated gas service in Lucan, Centralia, Exeter and Hensall last September. The ceremony climaxed several months of construction, involving 57 miles of transmission and distribution piping.

FINANCIAL AND OPERATING STATISTICS—1961-1970

Fiscal years ended March 31

Union Gas Company of Canada, Limited and its subsidiaries





Revenues, Expenses and Net Earnings ($000's)
Revenues:
Gas sales
Other income
Total revenue
Expenses:
Cost of gas sent out
Operating and maintenance expenses
Depreciation and amortization of natural gas conversion costs
Interest on funded debt and bank loans
Total expenses
Profit before income taxes
Income taxes
Net profit before minority interest
Less: Minority shareholders' interest
Net profit
Preference share dividends
Net earnings applicable to common shares
Earnings per common share (A)
Dividends declared per common share

Source and Application of Funds ($000's)
Source of funds:
Net profit for year
Depreciation and amortization
Deferred income taxes
Total funds provided from operations
Transfer from current to deferred income taxes
Funded debt issues
Common share issues
Preference share issues
Refund of deposit with trustee for bondholders
Special refundable tax
Total
Application of funds:
Net expenditure on Property Account
Dividends declared—common shares
Dividends declared—preference shares
Retirement of funded debt
Funded debt and stock issue expense
Net advances on mortgages receivable
Purchase of preference shares for cancellation
Redemption of United Fuel preference shares
Cash consideration to acquire preference shares of United Fuel
Miscellaneous items
Increase or decrease (–) in working capital
Total
Working capital, end of year

Note: (A) On basis of the weighted average number

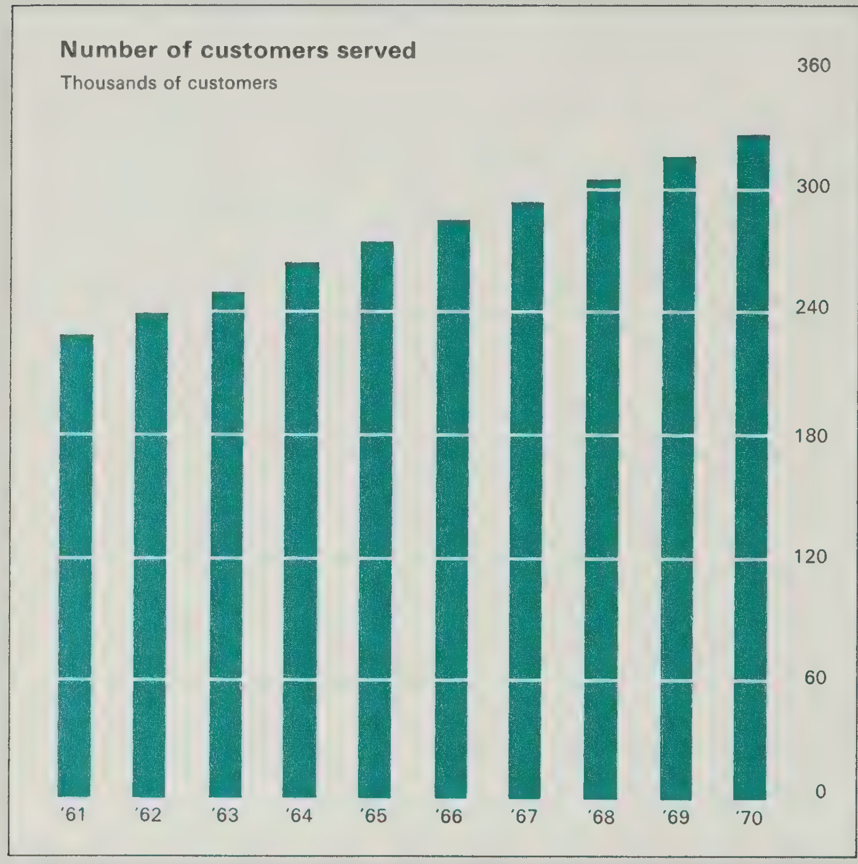
1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
$110,232	$ 94,254	$ 87,882	$ 77,404	$ 66,973	$ 59,038	$ 50,834	$ 48,614	$ 42,930	$ 36,690
9,339	7,605	7,397	6,363	5,446	5,000	4,715	3,864	3,600	2,979
119,571	101,859	95,279	83,767	72,419	64,038	55,549	52,478	46,530	39,669
54,992	44,593	40,375	34,036	28,481	24,215	20,176	19,002	15,688	12,454
27,395	23,648	22,498	20,534	18,593	16,798	15,936	14,982	14,132	12,331
5,091	5,300	6,154	5,811	5,318	4,800	4,354	4,130	3,821	3,449
7,821	6,602	6,014	5,586	4,652	4,386	4,277	4,079	3,705	3,315
95,299	80,143	75,041	65,967	57,044	50,199	44,743	42,193	37,346	31,549
24,272	21,716	20,238	17,800	15,375	13,839	10,806	10,285	9,184	8,120
12,327	10,857	10,215	8,966	7,708	7,273	5,531	5,299	4,692	4,097
11,945	10,859	10,023	8,834	7,667	6,566	5,275	4,986	4,492	4,023
—	—	1	1	1	1	7	42	28	106
11,945	10,859	10,022	8,833	7,666	6,565	5,268	4,944	4,464	3,917
1,061	1,062	1,066	1,079	1,088	949	738	738	738	645
$ 10,884	$ 9,797	$ 8,956	$ 7,754	$ 6,578	$ 5,616	$ 4,530	$ 4,206	$ 3,726	$ 3,272
72.2¢	65.2¢	59.8¢	51.8¢	44.0¢	38.4¢	33.3¢	30.9¢	27.4¢	24.1¢
52.0¢	46.0¢	34.0¢	27.0¢	23.3¢	20.8¢	20.0¢	16.7¢	16.7¢	15.8¢
$ 11,945	$ 10,859	$ 10,022	$ 8,833	$ 7,666	$ 6,565	$ 5,268	$ 4,944	$ 4,464	$ 3,917
5,584	5,762	6,593	6,267	5,721	5,177	4,736	4,492	4,176	3,769
3,745	3,240	2,366	1,840	2,127	2,102	1,617	1,202	1,185	1,087
21,274	19,861	18,981	16,940	15,514	13,844	11,621	10,638	9,825	8,773
—	1,640	734	—	—	750	—	—	—	—
—	20,000	—	15,000	15,000	—	14,000	—	14,000	—
795	49	702	—	—	7,269	—	—	—	—
—	—	—	—	—	7,000	—	—	—	—
—	—	599	—	778	—	—	—	—	—
—	619	(−)35	(−)584	—	—	—	—	—	—
$ 22,069	$ 42,169	$ 20,981	$ 31,356	$ 31,292	$ 28,863	$ 25,621	$ 10,638	$ 23,825	$ 8,773
$ 17,836	$ 20,726	$ 19,733	$ 12,824	$ 18,542	$ 21,103	$ 15,656	$ 10,936	$ 13,200	$ 11,984
7,835	6,912	5,099	4,038	3,490	3,048	2,719	2,266	2,266	2,141
1,061	1,062	1,066	1,079	1,088	949	737	737	737	645
4,478	4,428	4,003	5,378	3,678	3,125	3,175	2,418	2,332	2,221
—	354	—	135	123	—	173	—	221	—
896	(−)22	1,006	1,821	1,076	580	496	227	358	526
24	—	170	310	—	—	—	—	—	—
—	—	—	—	—	—	865	—	—	—
—	—	—	—	—	—	—	—	—	555
49	124	(−)13	258	(−)5	387	109	192	65	(−)92
(−)10,110	8,585	(−)10,083	5,513	3,300	(−)329	1,691	(−)6,138	4,646	(−)9,207
$ 22,069	$ 42,169	$ 20,981	$ 31,356	$ 31,292	$ 28,863	$ 25,621	$ 10,638	$ 23,825	$ 8,773
$ 1,633	$ 11,743	$ 3,158	$ 13,241	$ 7,728	$ 4,428	$ 4,757	$ 3,066	$ 9,204	$ 4,558

shares outstanding during the year.

STATISTICS — CONTINUED

Fiscal years ended March 31

(MCF means thousand cubic feet) (MMCF means million cubic feet)



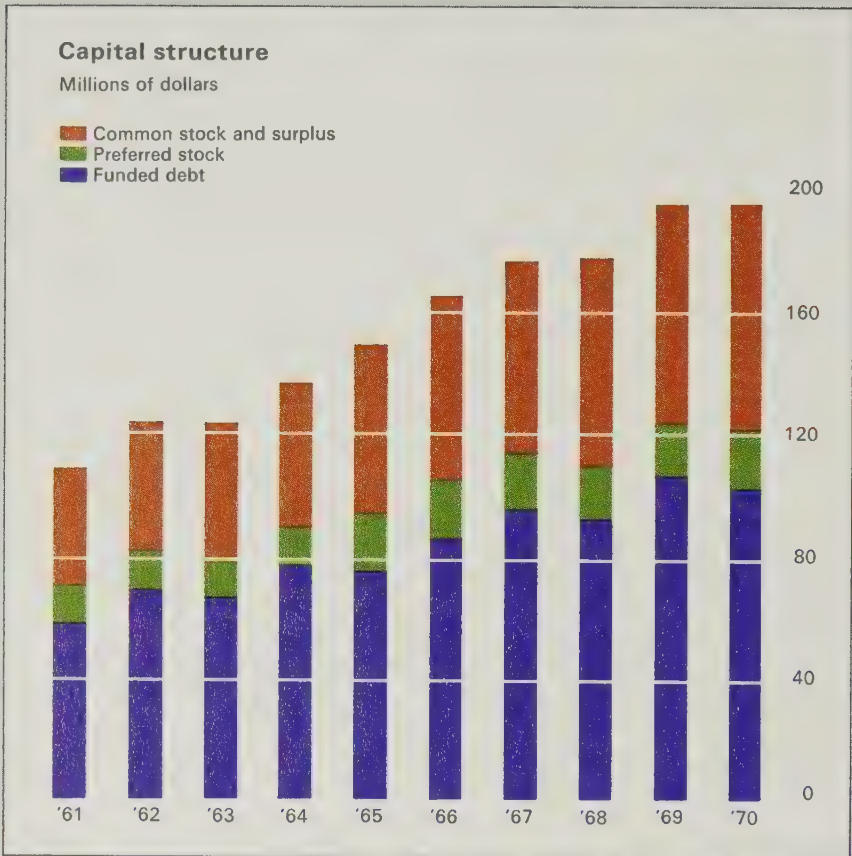
Number of customers served
Thousands of customers

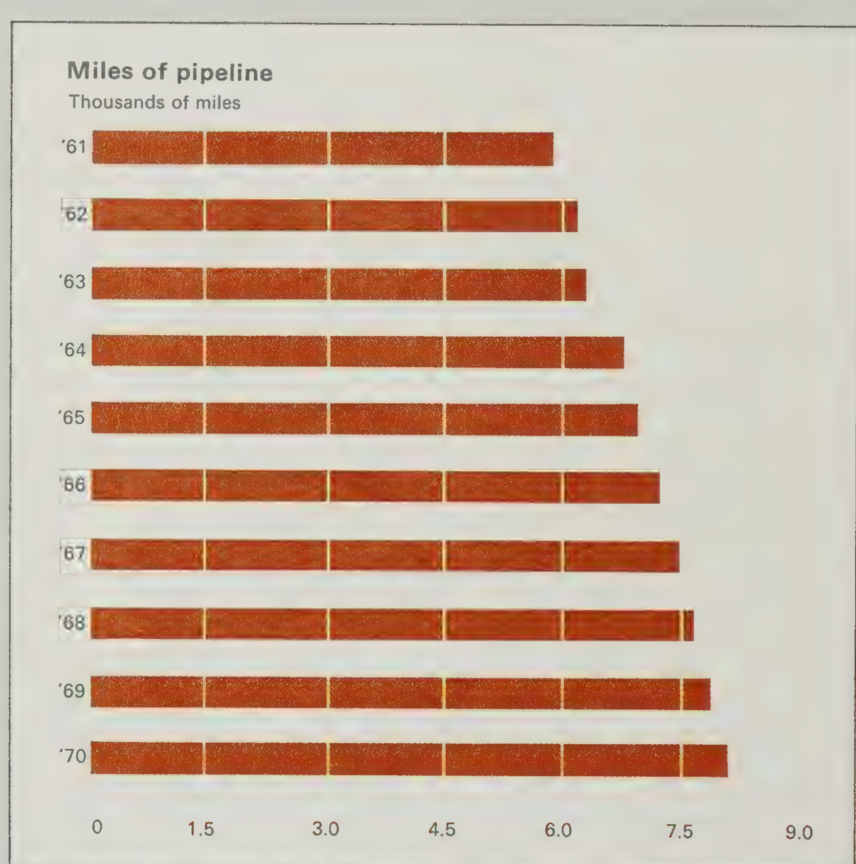
Maximum day send out
Millions of cubic feet

Customers (end of year)
Residential
Commercial
Industrial
Other utilities
Total
Gas Sales—MMCF
Residential
Commercial
Industrial
Other utilities
Total
Gas Sales Revenue—($000's)
Residential
Commercial
Industrial
Other utilities
Total
Average Gas Use per Customer—MCF
Residential
Commercial
Gas Balance—MMCF
Gas produced from Company wells
Gas purchased:
Ontario sources
Other sources
Gas received under storage, transmission, etc., contracts, less purchased in place
Total all gas
Gas into storage
Gas out of storage
Net gas into or out of (–) storage
Total gas sent out
Gas sales
Gas delivered under storage, transmission, etc., contracts
Company use
Unbilled, unaccounted for, etc.
Maximum day send-out—MCF
Gas out of storage on maximum day—MCF
Degree day deficiency

1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
290,205	281,155	270,959	261,610	252,725	243,661	234,310	223,876	215,732	206,439
32,501	31,175	29,769	28,364	27,405	26,222	24,751	23,438	22,415	21,823
3,161	2,993	2,890	2,668	2,453	2,305	2,084	1,920	1,830	1,694
10	10	9	9	9	9	9	8	6	6
325,877	315,333	303,627	292,651	282,592	272,197	261,154	249,242	239,983	229,962
39,274	35,911	36,217	33,456	30,604	28,546	25,101	25,424	23,247	20,369
21,748	17,858	16,541	14,714	12,322	10,477	8,729	8,205	7,246	6,077
73,667	55,943	44,715	35,220	27,137	21,048	17,722	15,279	11,188	7,655
3,229	2,799	2,626	2,374	2,053	1,762	1,316	1,038	741	598
137,918	112,511	100,099	85,764	72,116	61,833	52,868	49,946	42,422	34,699
$ 44,690	$ 41,004	$ 41,173	$ 38,126	$ 35,003	$ 32,670	$ 28,864	$ 28,945	$ 26,633	$ 23,649
20,934	17,552	16,538	14,813	12,535	10,764	9,032	8,479	7,562	6,417
42,681	34,019	28,605	23,062	18,234	14,590	12,161	10,577	8,250	6,219
1,927	1,679	1,566	1,403	1,201	1,014	777	613	485	405
$110,232	$ 94,254	$ 87,882	$ 77,404	$ 66,973	$ 59,038	$ 50,834	$ 48,614	$ 42,930	$ 36,690
138.2	130.6	136.6	130.8	124.1	120.0	110.2	116.2	110.7	101.2
687.7	591.9	573.5	532.4	462.7	415.8	365.0	361.8	331.4	291.1
2,764	3,759	2,585	4,183	3,957	3,882	4,522	5,312	4,475	4,748
7,987	7,251	9,359	10,608	8,258	8,447	9,701	9,979	10,256	12,101
115,525	109,346	91,034	83,215	70,293	50,675	42,140	32,458	28,538	21,966
107,058	44,044	24,931	21,738	16,689	13,712	13,518	9,550	11,454	5,948
233,334	164,400	127,909	119,744	99,197	76,716	69,881	57,299	54,723	44,763
32,850	33,633	30,864	34,026	28,171	19,457	25,982	21,252	19,513	16,888
45,209	29,765	30,320	25,121	18,233	23,892	23,173	25,764	18,582	15,229
(–)12,359	3,868	544	8,905	9,938	(–)4,435	2,809	(–)4,512	931	1,659
245,693	160,532	127,365	110,839	89,259	81,151	67,072	61,811	53,792	43,104
137,918	112,511	100,099	85,764	72,116	61,833	52,868	49,946	42,422	34,699
106,091	45,435	24,864	22,255	14,874	16,259	11,135	9,805	10,081	6,187
950	1,068	862	878	761	995	663	530	470	461
734	1,518	1,540	1,942	1,508	2,064	2,406	1,530	819	1,757
245,693	160,532	127,365	110,839	89,259	81,151	67,072	61,811	53,792	43,104
1,430,529	1,116,906	942,356	808,477	677,355	628,500	526,357	512,237	412,360	358,436
742,038	509,907	753,014	723,916	527,502	547,080	386,138	411,324	301,897	211,808
7,746	7,222	7,614	7,464	7,198	7,328	6,967	7,512	7,235	6,889

STATISTICS — CONTINUED
Fiscal years ended March 31





Condensed Consolidated Balance Sheet ($000

Assets:
Property Account . . . .
Less accumulated depreciation . . . .

Current assets. . . . .
Deferred and other assets . . . .
Total . . . .

Liabilities:
Shareholders' equity—
Preference shares . . . .
Common shares . . . .
Retained earnings . . . .
Contributed surplus. . . . .
Total . . . .
Minority shareholders' interest . . . .
Funded debt . . . .
Deferred income taxes . . . .
Deferred credit . . . .
Current liabilities. . . . .
Total . . . .

Equity Per Common Share
No par value common shares outstanding (000's)
Equity per share . . . .

Property Account ($000's)
Gross book value beginning of year . . . . .

Additions:
Plant acquisitions and additions. . . . . . .
Plant replacements. . . . .
Gross additions and replacements . . . . . .

Retirements:
Gross value of plant retired. . . . .
Net additions to Property Account. . . . . .
Gross book value end of year. . . . .

Miles of pipeline
Gathering and storage lines . . . .
Transmission lines . . . .
Distribution lines . . . .
Total . . . .

1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
$264,100	$248,609	$229,874	$211,593	$200,293	$183,254	$163,589	$149,443	$140,275	$129,160
51,124	48,022	44,387	39,444	34,938	30,958	27,458	24,486	22,003	20,159
212,976	200,587	185,487	172,149	165,355	152,296	136,131	124,957	118,272	109,001
32,805	33,909	29,820	32,405	25,675	20,257	20,484	16,173	19,774	14,245
8,119	7,311	7,723	7,491	4,929	4,750	4,020	3,525	3,314	3,204
$253,900	$241,807	$223,030	$212,045	$195,959	$177,303	$160,635	$144,655	$141,360	$126,450
$ 19,496	$ 19,520	$ 19,520	$ 19,690	$ 20,000	$ 20,000	$ 13,000	$ 13,000	$ 13,000	$ 13,000
31,266	30,471	30,422	29,720	29,720	29,720	22,451	22,451	22,451	22,451
41,650	38,601	35,820	31,963	28,247	25,159	22,590	20,307	18,367	16,906
378	378	378	378	378	378	378	378	378	378
92,790	88,970	86,140	81,751	78,345	75,257	58,419	56,136	54,196	52,735
—	—	9	8	7	6	5	1,370	1,336	1,318
102,660	107,138	91,566	95,569	85,947	74,625	77,750	66,925	69,343	57,675
27,278	23,533	18,653	15,553	13,713	11,586	8,734	7,117	5,915	4,730
—	—	—	—	—	—	—	—	—	305
31,172	22,166	26,662	19,164	17,947	15,829	15,727	13,107	10,570	9,687
$253,900	$241,807	$223,030	$212,045	$195,959	$177,303	$160,635	$144,655	$141,360	$126,450
15,104	15,028	15,023	14,955	14,955	14,955	13,595	13,595	13,595	13,595
$ 4.85	$ 4.62	$ 4.43	$ 4.15	$ 3.90	$ 3.69	$ 3.34	$ 3.17	$ 3.03	$ 2.92
$248,609	$229,874	$211,593	$200,293	$183,254	$163,589	$149,443	$140,275	$129,160	$119,209
13,286	16,720	16,248	10,421	15,323	18,569	12,792	7,123	9,004	9,440
4,721	4,131	3,628	2,535	3,386	2,580	2,967	3,877	4,498	3,038
18,007	20,851	19,876	12,956	18,709	21,149	15,759	11,000	13,502	12,478
2,516	2,116	1,595	1,656	1,670	1,484	1,613	1,832	2,387	2,527
15,491	18,735	18,281	11,300	17,039	19,665	14,146	9,168	11,115	9,951
$264,100	$248,609	$229,874	$211,593	$200,293	$183,254	$163,589	$149,443	$140,275	$129,160
572	605	624	627	627	642	663	685	702	717
1,800	1,742	1,677	1,630	1,592	1,560	1,501	1,403	1,401	1,369
5,821	5,591	5,419	5,240	5,061	4,846	4,644	4,303	4,117	3,804
8,193	7,938	7,720	7,497	7,280	7,048	6,808	6,391	6,220	5,890

UNION GAS COMPANY OF CANADA, LIMITED
Head Office: 50 Keil Drive North, Chatham, Ontario.

TRANSFER AGENTS

Preference Shares

5½% Series A

Canada Permanent Trust Company, Toronto, Montreal, Winnipeg, Calgary and Vancouver.

6% Series B

Canada Permanent Trust Company, Toronto, Montreal and Calgary.

5% Series C

Canada Permanent Trust Company, Toronto, Montreal, Winnipeg and Calgary.

Common Shares

Canada Permanent Trust Company, Toronto, Montreal and Calgary.
The Chase Manhattan Bank, New York.

REGISTRARS

Preference Shares

5½% Series A

Canada Permanent Trust Company, Toronto, Montreal, Winnipeg, Calgary and Vancouver.

6% Series B

Canada Permanent Trust Company, Toronto, Montreal and Calgary.

5% Series C

Canada Permanent Trust Company, Toronto, Montreal, Winnipeg and Calgary.

Common Shares

Crown Trust Company, Toronto and Montreal.
Canada Permanent Trust Company, Calgary.
Chemical Bank New York Trust Company, New York.

DIVIDEND DISBURSING AGENT

Preference Shares, Series A, B and C, and Common Shares

Canada Permanent Trust Company, Toronto.

TRUSTEES FOR BOND AND DEBENTURE ISSUES

First Mortgage Bonds

Canada Permanent Trust Company, Toronto.

1968 Series and 1970 Series Debentures

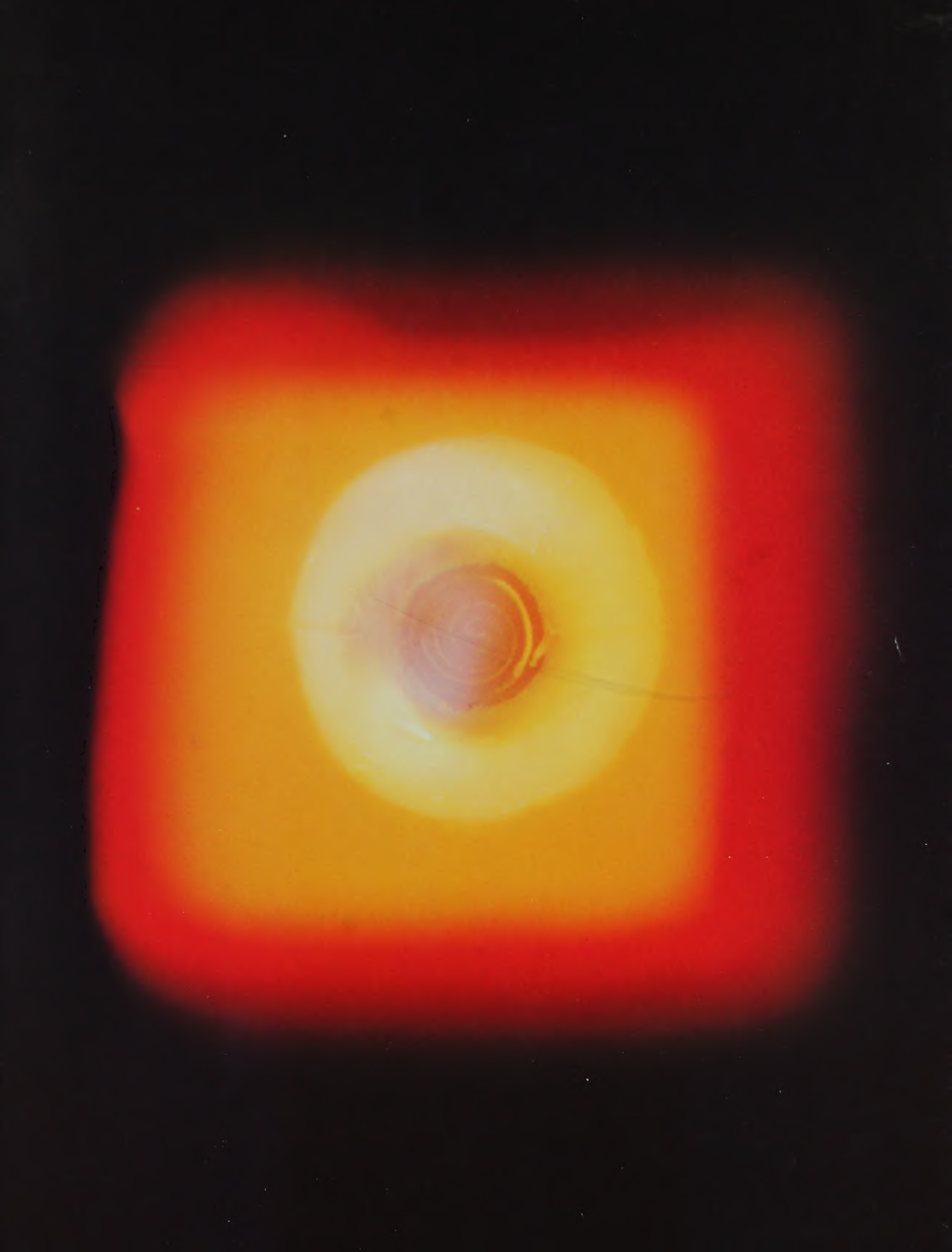
The Royal Trust Company, Toronto.

Debentures other than 1968 Series and 1970 Series

Canada Permanent Trust Company, Toronto.

SYSTEM MAP ▶

Annealing of fence wire at Dunnville requires furnace temperatures of up to 1778°F. Natural gas does the job, as this picture so colourfully illustrates.




Southwestern Ontario
Showing facilities of
Union Gas Company of Canada, Limited
and United Gas Limited
as at March 31, 1970
Pipelines
Union Gas Company of Canada, Limited
United Gas Limited
Proposed pipelines are shown as broken lines in the appropriate color
Other facilities
Major compressor stations
Gas storage fields
Proposed stations and fields are designated by unshaded symbols.
Portion of gas transmission facilities of TransCanada PipeLines Limited and of The Consumers' Gas Company
LAKE HURON
GEORGIAN BAY
LAKE SIMCOE
LAKE ONTARIO
LAKE ERIE
LAKE ST. CLAIR
STATE OF MICHIGAN
STATE OF NEW YORK
DETROIT
WINDSOR
PORT HURON
SARNIA
OWEN SOUND
Port Elgin
Meaford
Chatsworth
Thornbury
Collingwood
Midland
Elmvale
Stayner
ORILLIA
BARRIE
Alliston
Shelburne
Orangeville
Newmarket
Walkerton
Hanover
Durham
Mount Forest
Harriston
Palmerston
Listowel
Arthur
Drayton
Elora
Fergus
Elmira
St. Clements
WATERLOO
GUELPH
KITCHENER
New Hamburg
Hespeler
Preston
GALT
Acton
Georgetown
Trafalgar
Milton
TORONTO
OAKVILLE
BURLINGTON
HAMILTON
Stoney Creek
Dundas
Ancaster
Goderich
Clinton
Seaforth
Hensall
Exeter
Mitchell
Grand Bend
Centralia
Lucan
St. Marys
STRATFORD
Ilderton
Strathroy
Watford
Petrolia
Courtright
Sombra
Pt. Lambton
Dawn
Wallaceburg
Alvinston
Mt. Brydges
Glencoe
LONDON
Lambeth
Beachville
Ingersoll
WOODSTOCK
Paris
BRANTFORD
Dresden
Thamesville
Dutton
ST. THOMAS
Port Stanley
Rodney
Ridgetown
CHATHAM
Blenheim
Tilbury
Merlin
Belle River
Amherstburg
Essex
Cottam
Harrow
Kingsville
Leamington
Wheatley
Port Alma
Norwich
Tillsonburg
Delhi
Waterford
Caledonia
Hagersville
Jarvis
Simcoe
Port Dover
Cayuga
St. Williams
Port Royal
Dunnville
Port Maitland
ST. CATHARINES
Lewiston
NIAGARA FALLS
WELLAND
PORT COLBORNE
Fort Erie

UNION GAS

ANNUAL REPORT 1970

Produced in Canada by Southam Murray